

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

SEC FILE NUMBER
8- 27691

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III



02019858

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: IFC Holdings, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2701 N. Rocky Point Drive, 7th Floor

(No. and Street)

Tampa

FL

33067

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Stephan R. Pene

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

(Name — if individual, state last, first, middle name)

355 South Grand Avenue, Suite 2000 Los Angeles CA 90071

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 01 2002

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Stephan R. Pene, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of IFC Holdings, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Stephan R. Pene
Signature

Vice President, Controller
Title

Cindy Atencio
Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

IFC HOLDINGS, INC.
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Index to Consolidated Statement of Financial Condition

	Page
Independent Auditors' Report	1
Consolidated Statement of Financial Condition	2
Notes to Statement of Financial Condition	3



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors and Stockholder
IFC Holdings, Inc.:

We have audited the accompanying consolidated statement of financial condition of IFC Holdings, Inc. (an indirect, wholly owned subsidiary of Prudential plc) as of December 31, 2001. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit of a statement of financial condition includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit of a statement of financial condition also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 25, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

IFC HOLDINGS, INC.
 (An Indirect, Wholly Owned Subsidiary of Prudential plc)
 Consolidated Statement of Financial Condition
 December 31, 2001

Assets

Assets:

Cash and cash equivalents	\$ 21,162,893
Commissions receivable	5,685,169
Marketable securities owned at fair value	65,330
Forgivable notes receivable, net of accumulated amortization	3,275,616
Other receivables	3,783,038
Due from affiliates	1,009,704
Deferred tax asset	679,258
Fixed assets, net of accumulated depreciation of \$1,550,076	2,118,067
Other assets	1,474,523
Goodwill, net of accumulated amortization	<u>18,814,501</u>
Total assets	<u>\$ 58,068,099</u>

Liabilities and Stockholder's Equity

Liabilities:

Commissions payable	\$ 8,035,300
Accounts payable and other accrued expenses	8,119,928
Payable to affiliates	<u>476,207</u>
Total liabilities	<u>16,631,435</u>

Stockholder's equity:

Common stock, \$1 par value. Authorized 23,000 shares; issued and outstanding 20,242 shares	20,242
Additional paid-in capital	44,422,753
Accumulated deficit	<u>(3,006,331)</u>
Total stockholder's equity	<u>41,436,664</u>
Total liabilities and stockholder's equity	<u>\$ 58,068,099</u>

See accompanying notes to consolidated financial statements.

IFC HOLDINGS, INC.
(An Indirect, Wholly Owned Subsidiary of Prudential plc)
Notes to Consolidated Statement of Financial Condition
December 31, 2001

(1) Organization and Significant Accounting Policies

(a) Organization

IFC Holdings, Inc. (the Company) is a wholly owned subsidiary of National Planning Holdings, Inc. (NPH), which in turn is an indirect, wholly owned subsidiary of Prudential plc.

The consolidated financial statements include its wholly owned subsidiaries, Invest Financial Corporation Insurance Agency, Inc. of Delaware, Investment Centers of America, Inc., First Dakota, Inc., Trust Centers of America, Inc., and certain other nonoperating entities. These companies are collectively referred to as the Company. All significant intercompany transactions have been eliminated in the consolidation process.

The Company is a registered broker-dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers. The Company provides "introducing" broker-dealer services to customers of subscribing financial institutions located throughout the United States.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks including money market demand deposits, commercial paper, and certificates of deposit with maturities of three months or less and money market mutual funds.

(c) Commission Revenue and Commission Expense

Securities transactions and the related commission revenue and expense are recorded on a trade-date basis.

(d) Marketable Securities

Securities are carried at fair value based on quoted market prices. Any changes in value are reflected in earnings.

(e) Fixed Assets

Fixed Assets are carried at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis using the estimated useful lives of the assets. Fixed assets consist primarily of computers and software which are depreciated over three to five years.

(f) Goodwill

Goodwill, which represents the excess of cost over net assets acquired, is amortized on a straight-line basis over 15 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows.

IFC HOLDINGS, INC.
(An Indirect, Wholly Owned Subsidiary of Prudential plc)
Notes to Consolidated Statement of Financial Condition
December 31, 2001

(g) ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(h) ***Recent Accounting Pronouncements***

In July 2001, the FASB issued Statement No. 142, *Goodwill and Other Intangible Assets*. Statement No. 142, which was adopted on January 1, 2002, requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually and intangible assets with definite useful lives be amortized over their respective estimated useful lives and reviewed for impairment. With the adoption of SFAS No. 142, the Company no longer amortizes goodwill and management does not expect a transitional impairment loss on goodwill will be required to be recognized as a cumulative effect of a change in accounting principle.

(2) **Income Taxes**

Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company is included in a consolidated federal income tax return with Holborn Delaware Partnership (Holborn), an indirect, wholly owned subsidiary of Prudential plc. The Company's tax-sharing agreement with Holborn is based on separate return calculations. The Company has a right to reimbursement for the utilization of its losses in the consolidated tax return. Intercompany balances are generally settled on a quarterly basis.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are deferred compensation, deferred rent, and accrued expenses.

(3) **Clearing Agreement**

The Company is an introducing broker and clears transactions with and for customers on a fully disclosed basis with National Financial Services Corporation (NFSC). The Company promptly transmits all customer funds and securities to NFSC. In connection with this arrangement, the Company is contingently liable for its customers' transactions.

IFC HOLDINGS, INC.
(An Indirect, Wholly Owned Subsidiary of Prudential plc)
Notes to Consolidated Statement of Financial Condition
December 31, 2001

(4) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (Rule 15c3-1) and is required to maintain minimum "net capital" equivalent to \$250,000, or 6-2/3% of "aggregate debit items," whichever is greater, as these terms are defined. Rule 15c3-1 prohibits a broker-dealer from engaging in any securities transactions when its "aggregate indebtedness" exceeds 15 times its "net capital," as those terms are defined by Rule 15c3-1. At December 31, 2001, the Company had net capital of \$2,800,101 which was \$2,417,245 in excess of its requirements. The Company's ratio of aggregate indebtedness to net capital was 2.05 to 1.

(5) Forgivable Notes Receivable

The Company holds forgivable notes from certain registered representatives. Under the terms of the loans, the principal and interest, if any, is forgiven on a variety of schedules. The forgiveness of the notes is contingent upon the continued affiliation of the representative and the representative achieving agreed-upon production levels, measured in terms of gross dealer concessions.

The Company records amortization of the principal balance of the notes monthly on a straight-line basis over the term of the note.

(6) Defined Contribution Plans

The Company has defined contribution retirement plans covering all eligible full-time employees. The Company's annual contributions are based on a percentage of covered compensation paid to participating employees during each year.

(7) Related Party Transactions

The Company pays a portion of management salaries and software expense to National Planning Corporation (NPC) and SII Investments, Inc. (SII) (which are wholly owned subsidiaries of NPH).

The Company had a \$390,000 short-term note receivable from NPH at December 31, 2001. The note bears interest at 3% and is due December 2002. The note was paid in full in January 2002.

(8) Representative Deferred Compensation Program

The Company has a nonqualified deferred compensation plan for certain independent contractors of the Company. The Company's annual contributions are based on commission revenue production of participating independent contractors during the year. An asset and corresponding liability are included in the consolidated statement of financial condition for \$278,336.



IFC HOLDINGS, INC.

(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Consolidated Statement of Financial Condition

December 31, 2001

(With Independent Auditors' Report Thereon
Filed in Accordance with Rule 17a-5 of the
Securities and Exchange Act of 1934)